

Issue/Topic	Comment or question	Western's response
Advanced payment	Western made a change in section 11 that would allow the option of requiring a transmission customer to pay its bills in advance, when the customer's creditworthiness is a concern. Western should use restraint when requesting advance funding for transmission services, and only when it is absolutely necessary. The commenter supports Western's language that allows for using an alternative form of security that the transmission customer proposes if it is acceptable to the transmission provider. Western should also provide additional language to clarify that in this circumstance it will limit the amount of the required collateral to not exceed the amounts due and payable under the transmission service contract.	The option for creditworthiness that Western will choose for each transmission customer will depend on that individual transmission customer's financial situation. Western will use discretion in selecting the method by which a transmission customer must comply with the creditworthiness obligation. In addition, Western will also use discretion in determining the amount of collateral that would be required by a transmission customer. Western's Open Access Transmission Tariff (OATT), as originally approved by the Federal Energy Regulatory Commission (FERC or Commission), never limited the amount of collateral that a transmission customer must provide and maintain in effect during the term of a service agreement. The change that Western is proposing in the OATT simply allows another option for addressing a transmission customer's creditworthiness under the Business Practices section.
	Does Reclamation Law, which forms the basis for the OATT revision activity, provide any authority for requiring advance funding for activities related to the provision of electric service for transmission service or other services? The comment specifically references sections 3 and 11, where Western has inserted provisions concerning requirements for advance payment and prepayment for services.	Western has the discretion to require advances and prepayment for services rendered. The addition of the advance payment provision in Section 3 clarifies that Western may require advances to obtain third party ancillary services for the transmission customer. Western has historically required advance payments to obtain third-party services on a customer's behalf. With regard to Section 11 of the OATT, the prepayment option is a way to assure that the transmission customer meets its financial obligation when the transmission customer's creditworthiness is a concern.
	Are Letters of Credit not sufficient?	The intent is to secure advanced funds. We need actual funds to begin study work or construction.

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Application fees	Western is proposing to increase the long-term (>1 year) Firm Point to Point service processing fee to \$3,500 across all Western's regions. This more than doubles the current fee. Please explain in detail why the fee has increased by such a substantial amount and why Western has adopted a one-rate fee structure.	The application fees that were calculated before filing Western's current OATT were based on projected work-load in each region. Based on our experience in administering the OATT, Western underestimated the average amount of work, and the cost associated to process applications. The bulk of Western's costs are for labor, and these costs have escalated with inflation in the intervening years. However, since no inflation adjustment factor was added, this fee has not increased since Western filed its OATT more than seven years ago. Western has found that the average time it takes to process an application—multiplied by the average labor rates (including applicable labor overhead costs)—totaled approximately \$3,500. This review also revealed that the average costs associated with these activities do not vary substantially from one Western region to another. Therefore, Western decided that the best approach was to apply a standard application fee that reflected average costs Westernwide. No prospective inflation factor is included in the adopted fee.
Costs	If a generator ceases operating but had already paid the transmission costs up front, what happens to the transmission rights associated with those costs?	A transmission customer can't receive a credit on its bill unless service is being provided. However, it's possible to assign crediting to another entity, which a transmission customer may decide to pursue in this circumstance.
	Are construction costs under the Large Generator Interconnection Agreement/Procedures actual costs or estimated costs?	The pro-forma Large Generator Interconnection/Large Generator Interconnection Agreement isn't clear. Western cannot absorb the difference if actual costs exceed our estimates unless appropriations exist that can be used for such purpose. The transmission customer has to contribute the actual costs of the upgrade. Western would be willing to discuss estimated costs with the transmission customer upon request.

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	You intend to update the transmission rate formula for costs, not major revisions to the formula components.	Yes. No major revisions would be sought without a public process.
Deposits	Western is proposing to not pay interest on deposits for long-term (>1 year) Firm Point to Point service but instead transmission customers may opt to establish an interest-bearing escrow account. Please explain in detail how this option would work.	Western's proposed language will allow a prospective transmission customer to work with a financial institution to establish an escrow fund that Western could use as a transmission study and/or construction project progresses. This would provide a prospective transmission customer the option of receiving interest from the financial institution for the funds during any periods they remain in the applicable escrow fund. Most of the process would take place between the transmission customer and the financial institution, and the customer would be responsible for all associated fees. Western would need to be involved to ensure funds would be available, and that they could be accessed only by Western as they are needed. Specific requirements for such escrow accounts will be posted on Western's Open Access Same Time Information System (OASIS) sites under its Business Practices section.
Energy imbalance service	What determines the price of energy imbalance, if financial settlement at market pricing is used?	Energy imbalance in some of Western's control areas is done through financial settlement. We'll use an average purchase or sale price for the month to calculate the market price. In those cases, Western will use an average purchase price or sale for the month.
	Can wind pay back Energy Imbalance Service in kind? Or can wind have a financial settlement at market rather than with imbalance penalties?	Each of Western's regions will develop Energy Imbalance rates specific to each control area or region. Those rates will be set forth in rate schedules subject to extensive public processes. At this time, Western's regions use two different approaches. The first is FERC's pro forma procedure that allows in-kind settlement within the bandwidth (+/- 1.5%) and financial settlement with penalties outside the bandwidth. The second approach is a complete financial settlement approach at current "market" rates with a bandwidth of +/- 5%. In the case of intermittent resources under the second approach,

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		Western's Rocky Mountain Region has eliminated the bandwidth, i.e., no penalties are assessed on intermittent renewable resources.
Mailing addresses	Rather than replacing mailing addresses for transmission service information with only updated Web addresses, the commenter requested both Web site and mailing addresses.	Rather than including the mailing addresses within the body of the OATT, Western will post this information on its OASIS sites where it can be updated without amendment of the tariff itself. Posting the mailing addresses will expand the avenues for communication between Western and a prospective transmission customer. However, transmission service may only be requested by electronic means under the provisions of the Commission's pro forma tariff.
Network Operating Agreement	"Network Operating Agreement – Attachment G is to be executed if necessary. Who decides what is necessary?"	The need for a Network Operating Agreement will be addressed on a case-by-case basis. Specifically, if either party to a Network Integration Transmission Service agreement believes that a NOA is necessary, the parties will negotiate and execute such an agreement.
	Could you have a situation where you start with a simple Network Integration Transmission Service and then a situation evolves where it's not so simple?	Complexities can evolve beyond a simple agreement that defines where we interconnect and where the load centers are. If there are more consumers over time and the transmission customer requests it, then we would execute a Network Operating Agreement with that customer. Even when we do have NOAs, they are individually crafted.

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Notice of new rates	Confirm that Western will provide customers reasonable notice of new rates so that customers have current information to base decisions on whether to exercise roll-over rights on Western transmission.	Western revises its transmission rate annually by inserting the appropriate year's data into the FERC-approved transmission rate formula. Notification of the resulting revisions in our cost of providing service (and therefore the rates charged to the customer) is mailed directly to all transmission customers and posted to our public OASIS sites; this is typically done at least 30 days before any change takes effect. These annual adjustments should be expected by the customer when a contract is consummated, and do not provide grounds for termination. When Western needs to revise the formula used to calculate annual transmission costs/rates, it is done through a public process that allows for comment, followed by a FERC filing. A customer's decision to roll-over a request is not mitigated by this notification process.
Queue time limit	Why the limitation on the amount of queue time?	The way the FERC pro forma language is written, a transmission provider could take a generating facility out of the queue if it hadn't operated within three years. So, after ceasing operation with a three-year notice, the queue slot could be terminated.
Reactive power compensation	Does Western have reactive power compensation after the fact?	There are provisions for that within LGIA Article 9.6. They were discussed in the Large Generator Interconnection Procedures Notice of Proposed Rulemaking. We propose to adopt the pro forma language.
Regulation and Frequency Response service	Should the method for measuring the amount of Regulation and Frequency Response Service be set forth rather than the amount itself since the amount of regulation will not be known ahead of time?	This noted provision is pro forma OATT language that Western chose to leave unrevised. With respect to the methodology for measuring the service, as is the case with all ancillary services offered by Western, the methodology will be defined under individual rate schedules applicable to each Western region, and the service agreement will reference the schedule accordingly.

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	Regulation is required "to follow the moment-to-moment changes in load." Is this technically correct? Does it apply to wind generation?	The referenced definition of Regulation and Frequency Response Service is technically correct insofar as it is codified under FERC's pro forma OATT. However, Western's experience indicates that intermittent generation resources, such as wind, result in Regulation impacts to a control area in addition to those caused by load. For that reason, Western's Rocky Mountain Region has been working over the past 1-1/2 years with renewable industry stakeholders and other interested parties to develop a methodology that will accurately measure those impacts and properly assess their related costs.
Termination provisions	Please explain in detail why Western has proposed removing the termination provision, or "off-ramp" language under Attachment J-Section 1.0., Change of Rates, which allows transmission customers to give their notice of intent to terminate service within 90 days after Western makes an adjustment to transmission rates. The concern is that removing this language will eliminate a transmission customer's ability to terminate service or choose not to seek renewal of its rollover rights when a new rate would make it uneconomical to do so.	<p>Western has determined that two compelling reasons exist to strike this language. First, Western is concerned that retaining this language could result in gaming Western's rate processes to the detriment of Western's overall transmission customer base. Western's regions each engage in extensive public processes before implementing a rate, and even then those rates and processes are subject to FERC's review. If Western were to retain the referenced language, it would be possible for an entity to terminate lengthy transmission service agreements by effectively bypassing those rate processes, thereby shifting to Western's remaining transmission customers any costs incurred for constructing facilities to provide the requested service, as well as those lost opportunity costs resulting from the early service termination.</p> <p>Second, in retrospect, Western recognizes that the referenced "off-ramp" provision allows for early termination of transmission service even if the rate adjustment process results in an overall rate reduction. This clearly was not the intent of this provision, and, again, the potential for its exercise in that event serves only to allow for gaming of Western's rate processes.</p> <p>Western foresees no procedural difficulty with deleting this language, inasmuch as the deleted language is not standard Tariff language. Our</p>

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		<p>research indicates that Western is the only transmission provider to have offered such a provision under an OATT.</p> <p>Note that the Change of Rates language in the existing Tariff only applies to new rate formulas being established. A transmission customer can formulate an appropriate length of service before entering into a firm service agreement with Western.</p> <p>Finally, to the extent transmission customers have concerns that Western's action may result in adverse financial impact by limiting the possibility for an early termination of OATT transmission service, Western encourages such entities to thoroughly assess the risks of taking very long-term transmission service before requesting that service and executing the relevant service agreement. In so doing, entities may then properly mitigate their risk by taking only the minimum necessary terms of service, after which they may exercise their OATT service right-of-first-refusal (roll-over rights) if and when they find the need for a longer term.</p> <p>It is not Western's intent to require a transmission customer to exercise its right to roll-over a contract at the end of its term. Western does not believe our proposed OATT language contains such a requirement. Under the Pro Forma Tariff provisions, Western will assume that a contract will not be rolled-over if notice is not received from the transmission customer of a desire to exercise roll-over rights at least 60 days before the contract's termination.</p> <p>Therefore, Western will not modify Section 1.0 – Change of Rates, of Attachment J from the version provided for public comment, dated October 22, 2004.</p>

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	<p>The commenter is willing to consider a possible revision by Western's Sierra Nevada Region (SNR) of the reinserted off-ramp language that would prevent a transmission customer from terminating a transmission service contract due to rate changes resulting from the annual recalculation of Component 1, but would allow a transmission customer to curtail its transmission service contract due to rate change contributions stemming from Component 2 and/or Component 3.</p>	<p>Western clarifies that all three components that make up SNR transmission rates (Component 1, Component 2, and Component 3) are part of the "rate formula" under the rate schedules, and as such a change to any cost or charge under any of these three components would not constitute a rate change as defined by Section 1.0 – Change of Rates, Attachment J. This language, as it exists in our current OATT Attachment J and in Western's General Power Contract Provisions, applies in cases where Western files a new rate formula with the Commission.</p>
Terms and conditions	<p>The commenter has identified a number of instances in the pro forma OATT where its terms and conditions do not accommodate long-term non-firm transmission service.</p>	<p>Western agrees that there appear to be several gaps in the pro forma OATT terms and conditions as they may be applied to long-term non-firm service. Since Western intends to provide this class of service and this service will be experimental in nature, Western needs the ability to quickly adapt to unforeseen transmission customer needs. Western's approach will be to identify detailed procedures in its regional business practices as posted on Western's applicable regional OASIS sites. This approach will allow Western to offer a service that can evolve in a timely manner to meet the needs of its transmission customers.</p>
Third-party interconnections	<p>What about interconnections to a third party that interconnects with the Midwest Independent System Operator (MISO) system? How will payments be determined?</p>	<p>Because Western is essentially an independent transmission provider, Western believes that it should be allowed to engage in negotiations regarding participant funding of network upgrades, and we intend to ask the Commission to grant us the authority to do so. That authority would apply to allocating costs in the MISO example, as well as to others such as the Mead substation upgrade in Western's Desert Southwest region.</p>

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Transmission reservations	When a reservation was requested and service begun but then some part going forward was not accepted by the transmission provider, the rest of the reservation would be erased. What are the limits to the reactions and flexibility at the operations desk when a service is curtailed? Does the system drop that reservation? Is this practice unique to each control room?	If a transmission transaction is curtailed, there is no effect on the long-term reservation. The reservation remains in place and, as soon as the congestion is relieved, the transmission customer may begin scheduling against that reservation again. This practice is standard among all control areas providing transmission service under FERC's pro forma OATT.